

ATTORNEYS AT LAW

FELHABER, LARSON, FENLON AND VOGT
PROFESSIONAL ASSOCIATION

900 CONWED TOWER

444 CEDAR STREET

SAINT PAUL, MINNESOTA 55101

612 222-6321

TELECOPY 612 222-8905

1935 PIPER JAFFRAY TOWER

222 SOUTH NINTH STREET

MINNEAPOLIS, MINNESOTA 55402

612 339-6321

TELECOPY 612 339-4714

1 5096

Filed & Recorded

NOV 3 1986 11-05 AM

INTERSTATE COMMERCE COMMISSION

LYON S. STERN
PAULETTE DANE FLYNN
CAROLYN S. NESTINGEN
TERRANCE M. CULLEN
DAVID C. VANNEY
THOMAS J. DOYLE
DENNIS J. MERLEY
THOMAS F. MILLER
PAUL J. ZECH
ROBERT S. HALAGAN
BARBARA R. KUEPPERS

OF COUNSEL
RICHARD S. FELHABER
SAMUEL BEARMON
TIMOTHY J. PABST

GUSTAV A. LARSON
ROBERT J. FENLON
THOMAS M. VOGT
EDWARD J. BOHRER
DAVID R. HOLS
RUSSELL J. SUDEITH, JR.
WILLIAM K. ECKLUND
HONNEN S. WEISS
CHARLES F. BISANZ
JAMES J. CRONIN
DANIEL R. WACHTLER
JAMES M. DAWSON
RONALD R. KIRCHOFF
JAMES A. BLUMQUIST
ROBERT L. BACH
STEPHEN J. BURTON

October 29, 1986

REPLY TO St. Paul

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

"DOCUMENTS FOR RECORDATION" Typed on Envelope

Interstate Commerce Commission
12th and Constitution Avenues Northwest
Washington, D.C. 20423

Attention: Mildred Lee
Room 2303

Re: Rail Car Lease Agreement Between
American National Bank & Trust
Company of Chicago and Escanaba
& Lake Superior Railroad Company

Dear Ms. Lee:

Enclosed please find an original and one copy of the document described below to be recorded pursuant to Section 11303 of Title 49 of U.S. Code and Section 4C of the Lease. This document is a lease, a primary document, effective October 15, 1986.

The names and addresses of the parties to the document are as follows:

Lessor: American National Bank & Trust Company
acting as owner trustee under a trust agreement
dated as of October 15, 1986 for Principal
Mutual Life Insurance Company, Pilot Life
Insurance Company, Pioneer Mutual Life Insurance
Company, Vulcan Mutual Life Insurance Company,
American Life and Casualty Insurance Company,
Standard Insurance Company and the Union
Labor Life Insurance Company

Interstate Commerce Commission
October 29, 1986
Page 2

33 North LaSalle Street
Chicago, IL 60690

Lessee: Escanaba & Lake Superior Railroad Company
Wells, MI 49894

A description of the equipment covered by the document follows:

291 50 foot, 6 inch, 70 ton XM box cars with 10 foot sliding doors built in 1978 and having car markings of ELS 101600 - 101899 (except serial numbers 101608, 101633, 101687, 101750, 101816, 101847, 101848, 101851 and 101865).

A fee of \$10.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to:

Terrance M. Cullen
Felhaber, Larson, Fenlon and Vogt, P.A.
900 Conwed Tower; 444 Cedar Street
St. Paul, MN 55101

A short summary of the document to appear in the index follows:

Rail Car Lease Agreement between American National Bank & Trust Company, 33 North LaSalle Street, Chicago, IL 60690, as Owner Trustee and Lessor, and the Escanaba & Lake Superior Railroad Company, Wells, MI 49894, as Lessee, effective October 15, 1986, and covering 291 50 foot, 6 inch 70 ton XM Pullman box cars with 10 foot sliding doors built in 1978.

Kindly acknowledge receipt of the enclosures by date stamping the enclosed duplicate copy of this letter and returning it in the enclosed envelope.

Yours very truly,

Terrance M. Cullen
Terrance M. Cullen

nmh
Enc.

cc: Kathleen Dove
Sixth Floor, Corporate Trust Department
American National Bank & Trust Company of Chicago
33 North LaSalle Street
Chicago, IL 60690

Hollace Cohen
Whitman and Ransom
522 Fifth Avenue
New York, NY 10036

RAILCAR LEASE AGREEMENT

Agreement, dated as of October 15, 1986, by and between the Escanaba & Lake Superior Railroad, a Michigan corporation ("Lessee"), as Lessee, and American National Bank and Trust Company of Chicago, a Delaware corporation ("Lessor"), as Lessor, acting as Owner Trustee under a Trust Agreement dated as of October 15, 1986 for Principal Mutual Life Insurance Company, Pilot Life Insurance Company, Pioneer Mutual Life Insurance Co., Vulcan Life Insurance Company, American Life & Casualty Insurance Company, Standard Insurance Company and The Union Labor Life Insurance Company.

1. Scope of Agreement

A. Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, railroad equipment of the type and description as set forth in Equipment Schedule 1 executed by the parties concurrently herewith and made a part of this Agreement, subject to the terms and conditions set forth herein.

B. The scheduled items of equipment are hereinafter called collectively the "Cars."

2. Term

This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of lease with respect to all of the Cars shall commence on the date hereof and shall extend to and shall expire (unless sooner terminated pursuant to the provisions of this Agreement) on the seventh anniversary of the Basic Rent Commencement Date as hereinafter defined. The "Basic Rent Commencement Date" shall mean the first day of the month following the date when all of the Cars on the Equipment Schedule attached as Exhibit A have been delivered and accepted as set forth in Section 3 hereof. As to any Car delivered and accepted prior to the Basic Rent Commencement Date, Lessee shall pay interim rent in accordance with Section 6 hereof from the date of delivery and acceptance of such Car to the Basic Rent Commencement Date; provided however that the provisions of Section 6B(ii) hereof shall not apply until the Basic Rent Commencement Date.

3. Delivery

A. Lessor shall deliver the Cars to Lessee at their current storage location in Niagara Falls, New York, Spencerville, Ohio, Sayre, Pennsylvania, Taylorsville, Illinois, El Reno, Oklahoma as set forth in Exhibit B or at a

location or locations on trackage owned by Lessee to be designated by Lessee and agreed to by Lessor in writing or as otherwise agreed by the parties in writing. Upon delivery of the Cars to Lessee, Lessee shall execute and deliver to Lessor a Certificate of Acceptance in the form attached hereto as Exhibit C.

B. The execution and delivery by the Lessee of a Certificate of Acceptance with respect to the Cars pursuant to Section 3A hereof shall conclusively establish that such Cars are in interchange condition and are accepted by Lessee under this Lease, notwithstanding any defect with respect to design, manufacture or condition or in any other respect, and shall conclusively establish as between Lessor and Lessee that such Cars are in good order and condition and conform to the specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to railroad equipment of the character of the Cars as of the date of this Lease. In the event that any Car is damaged when accepted under the Lease, Lessee shall be responsible for any repairs required to put the Car in interchange condition.

C. Lessee agrees that LESSOR SUPPLIES THE CARS TO LESSEE "AS IS" AND MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, OPERATION, TITLE, MERCHANTABILITY, FITNESS (FOR USE OR FOR ANY PARTICULAR PURPOSE), DESIGN, CAPACITY OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP IN THE CARS OR ANY COMPONENTS THEREOF, OR ANY OTHER WARRANTY OR REPRESENTATION WHATSOEVER, WRITTEN OR ORAL. Lessee further agrees that LESSOR SHALL NOT BE RESPONSIBLE FOR ANY LIABILITY, CLAIM, LOSS, DAMAGE (DIRECT OR CONSEQUENTIAL) OR EXPENSE, OF ANY KIND OR NATURE, CAUSED DIRECTLY OR INDIRECTLY BY THE CARS, OR ANY INADEQUACY THEREOF OR DEFECT (LATENT OR PATENT) THEREIN, OR RESULTING DIRECTLY OR INDIRECTLY FROM THE OPERATION OR USE THEREOF.

4. Railroad Markings and Record Keeping

A. Lessor and Lessee agree that said Cars will be lettered with the railroad markings of Lessee at the cost and expense of Lessee. Lessee shall at Lessee's expense keep and maintain in letters not less than one inch in height the words, "LEASED FROM AMERICAN NATIONAL BANK AND TRUST COMPANY AS OWNER TRUSTEE PURSUANT TO A LEASE FILED WITH THE INTERSTATE COMMERCE COMMISSION," and appropriate changes requested thereto by Lessor.

B. At no cost to Lessor, Lessee shall during the term of this Agreement cause to be prepared for Lessor's signature and filing all documents relating to the registration, maintenance, taxes (excluding Lessor's income taxes), and record keeping functions involving the Cars. Such documents shall include (i) appropriate AAR documents including an application, if applicable, for relief from AAR Car Service Rules; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such other reports as may be required from time to time by the ICC and/or other regulatory agencies. Lessor will furnish to Lessee such data as required by Lessee in writing as necessary for registration of all the Cars in the Official Railway Equipment Register, and in the Universal Machine Language Equipment Register.

C. Lessee shall file or cause to be filed this Agreement with the ICC, at no expense to the Lessor. Each Car leased hereunder shall be registered by Lessee at no cost to Lessor in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. Lessee shall, at its own expense, on behalf of Lessor, perform or cause to be performed all record keeping functions relating to the use of the Cars by Lessee and other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation.

D. All record keeping performed by Lessee hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by Lessee, at Lessee's expense, in a form suitable for reasonable inspection by Lessor or its agents from time to time during regular Lessee business hours. Lessee shall supply Lessor with such information regarding the use of the Cars by Lessee as Lessor may reasonably request.

5. Maintenance, Taxes and Insurance

A. Lessee will maintain the Cars, at Lessee's expense, in the same operating order, repair and condition as when received by Lessee hereunder, ordinary wear and tear excepted, and in compliance with all applicable laws, rules and regulations, and suitable for interchange in accordance with the Interchange Rules of the Association of American Railroads (or any successor organization having responsibility for matters pertaining to the interchange of freight traffic) and all requirements of the insurance policies referred to herein.

B. Except as otherwise provided herein, Lessee will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its lease term and any extension thereof, including but

not limited to repairs, maintenance and servicing. Lessee shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required from time to time. Should any Car be damaged whereby such damage is billable to another carrier, Lessee or its agent shall be responsible for insuring such repairs are made at the expense of the responsible carrier. Lessee shall be responsible for the repair of any Car damaged due to wreck or derailment while in the possession of or on the property of Lessee. In the event that a Car is lost, stolen, condemned, destroyed or damaged beyond repair such Car shall be deemed to have suffered a "Total Loss" for purposes hereof. In the event that such Total Loss occurs while on Lessee's property, Lessee will pay, on the next succeeding rent payment date to the Lessor an amount equal to the Stipulated Loss Value of such Car as of the date of such Total Loss together with (i) any unpaid rent due in respect of such Car to and including the date of such Total Loss and any other payments owing under this Agreement and (ii) interest on each of the aforesaid amounts at the rate set forth in paragraph 6B(iv) ^{below} above for the period from the date of such Total Loss to the date of receipt thereof by Lessor. For purposes hereof, the Stipulated Loss Value of any Car shall be an amount determined as specified in Exhibit D attached hereto. Upon such payment, said lost, stolen, condemned, damaged or destroyed Car will be removed from the coverage of

this Agreement as of the date that such payment is received by Lessor. In the event that a Car has been reported in accordance with Rule 107 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules-Freight, to have suffered a Total Loss while off the Lessee's property, Lessee shall pay to Lessor on the next succeeding rent payment date the greater of (a) the appropriate amount due as a result of such Total Loss in accordance with the AAR Rules or (b) the amount determined in accordance with this Section 5 above. Upon such payment, said Car will be removed from the coverage of this Agreement as of the date that Payments ceased.

C. Lessee assumes all risks of loss, theft, condemnation or destruction of, or damage to, the Cars and all risks of any injuries or damages incident thereto, whether to employees, agents or property of Lessee, Lessor or third parties. Lessee will hold Lessor harmless from all of the above and from all losses, damages, penalties, liabilities and expenses (including, without limitation, attorneys' fees), howsoever arising, incurred because of or with respect to (i) the Cars or any portion thereof or the actual or alleged acquisition, delivery, management, control, ownership, maintenance, condition, defect (whether or not discoverable by Lessor or Lessee), storage, return, repossession, surrender, sale or other disposition thereof (including, without

limitation, claims for patent, trademark or copyright infringement, actual or alleged, in respect of the Cars), (ii) any act or omission of Lessee hereunder or (iii) the imposition of strict or absolute liability in tort. Lessee shall in no event be required to indemnify Lessor hereunder against any loss or liability to the extent that the same arises solely by reason of Lessor's own gross negligence or willful misconduct. If either Lessor or Lessee shall obtain knowledge of any matter with respect to which Lessor would be entitled to indemnification hereunder, such party shall give prompt written notice thereof to the other party, but no failure to give or receive any such notice shall relieve Lessee from any obligation to indemnify Lessor pursuant hereto. In the event that any action, suit, proceeding or other claim is brought or made by a third party against Lessor in connection with any matter with respect to which Lessor would be entitled to indemnification hereunder, Lessee will cooperate fully with Lessor in defending against such action, suit, proceeding or other claim. The indemnities provided herein shall survive the expiration or termination of this Lease with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination.

D. Lessee shall make, or cause to be made, at its expense, all running repairs, alterations, modifications or

replacement of parts, as shall be necessary to maintain the Cars in good operating condition throughout the term of the Agreement. Lessee shall not make any alterations, improvements or additions to the Cars without Lessor's prior written consent. If Lessee makes an alteration, improvement, or addition to any Car without Lessor's prior written consent, Lessee shall be liable to Lessor for any revenues lost due to such alteration and for any reduced value, utility or utilization of such Car. Title to any such alteration, improvement or addition shall be and remain with Lessor.

E. Lessee shall be responsible for all taxes, (including, without limitation, sales, use, excise, gross receipts, value added, personal property, stamp, documentary, and ad valorem taxes), levies, imposts, duties, charges and registration fees, assessments and other governmental charges of whatsoever kind or character relating to each Car and on the lease, delivery or operation thereof commencing as of the date of delivery of such Car to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income imposed on Lessor. Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars.

F. Lessee shall, at its own cost, maintain in effect throughout the term of the Agreement and during any storage period thereafter, with financially sound and reputable insurers acceptable to Lessor, "all risk" insurance, in form and substance satisfactory to Lessor, insuring against loss or damage to the Cars in an amount equal to the greater of the amount set forth in the Interchange Rules as being applicable to the loss of the Cars or the Stipulated Loss Value of the Cars, as specified in Exhibit D.

G. Lessee shall, at its own cost, maintain in effect throughout the term of the Agreement and during any storage period thereafter, with financially sound and reputable insurers acceptable to Lessor, comprehensive general public liability insurance with respect to the Cars, in form and substance satisfactory to Lessor, insuring against loss or damage to the persons and property of others in amounts which shall be satisfactory to Lessor.

6. Lease Rental

A. Lessee agrees to pay the following rent to Lessor for the use of the Cars:

Lessee or its agents shall collect all payments made by other railroad companies for their use or handling of the Cars, including per diem payments (which payments made to Lessee are hereinafter collectively referred to as "Payments") and mileage charges, and distribute them as follows:

a) Car Hire Payments - Lessor shall receive 38% of all such payments, and Lessee shall receive 62% of such payments.

b) Mileage Charges - The Lessee shall receive all mileage revenues with respect to the Cars.

Lessee shall keep an accurate record of all such revenues and expenses, accounting to Lessor monthly on the 1st day of each month.

B. (i) For the purpose of this Agreement, "Utilization" means with respect to any period a fraction the numerator of which is (x) the aggregate number of Car Hours for which payments are earned by the Lessee during such period, and the denominator of which is (y) the aggregate number of Car Hours during such period. For the purpose of determining Utilization, "Car Hour" shall mean one hour on which one Car is on lease hereunder, commencing on the delivery of such Car to Lessee.

(ii) During the term of this Agreement, if the net Payments for any three consecutive calendar months are less than the appropriate revenue associated with 60% Utilization in the aggregate for all the Cars then under lease as determined under the appropriate AAR Revenue Publication or if at any time during any three consecutive calendar months the number of hours that the Cars have not earned Car Hire Payments is such as to make it mathematically certain that the Lessor's Payments cannot be equal to or greater than the appropriate revenue associated with 60% Utilization in the aggregate for all the Cars then under lease, Lessor may, at its option and upon not less than 30 days prior written notice to Lessee, terminate this Agreement as to all or such part of the Cars as Lessor determines provided however, that Lessor may not exercise such option to terminate this Agreement so long as Lessee shall have paid to Lessor for each three consecutive month period during the 84 months commencing with the Basic Rent Commencement Date, no less than an average of \$113.18 per Car per month for all the Cars then under lease. If Lessor terminates this Agreement for insufficient utilization, Lessee shall remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by Lessor at the cost and expense of Lessee. After the removal and replacement of markings, Lessee at its own expense shall, when requested by Lessor, deliver such Cars in interchange condition to a connecting carrier for

shipment. Lessee shall provide for Lessor up to one hundred eighty (180) days free storage of any terminated Car on Lessee's railroad tracks.

(iii) Lessee shall not, without the prior written consent of Lessor, grant any reclaims with respect to the Cars nor reduce in any way the Car Hire charges applicable to the Cars.

(iv) In the event that any rent or other payment due under this Lease is not paid within 5 days after it is due, Lessee shall pay to Lessor, on demand, interest on such overdue payment from the due date at the rate of 12% per annum.

C. Lessee shall at Lessee's expense collect or cause to be collected all Car Hire Payments and mileage charges with respect to the Cars in connection with the use of the Cars by other railroads and shall pay to Lessor by wire transfer as designated by Lessor in writing, all rental due Lessor as provided herein. Rent payments shall be made monthly on the first day of the third month following the month in which Payments are earned during the term of this Agreement; provided that if all or any portion of any Car Hire Payment earned is not actually received by the Lessee prior to the date upon which the rent in

respect thereof is due to Lessor, the rent in respect of the Car Hire Payment not received shall bear interest thereon at the rate of 10% per annum from the date on which such rent would otherwise be due to the date of payment and such rent shall be due and payable on the first day of the month following receipt of such payment by Lessee but in no event later than the first day of the sixth month following the month in which such payment is earned. Lessee agrees to use reasonable diligence in collecting Car Hire Payments. Lessee shall mail monthly to Lessor an accounting of the basis for such payments concurrently with the making of such payment.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business.

B. Lessee agrees that the Cars will not be used or operated outside the continental U.S. or Canada. Lessee agrees that to the extent it has physical possession and can control the use of the Cars, the Cars will at all times be used and operated under and in compliance in all material ways with the laws of the jurisdiction in which the same may be located and

in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either Lessor or Lessee, unless there has been an event of default, may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

C. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or Exhibit thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be events of default:

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within five (5) days of the date such payment is due.

(ii) The breach by Lessee of any other term, covenant or condition of this Agreement, which is not cured within thirty days after notice to Lessee by Lessor thereof.

(iii) Any action by Lessee to discontinue rail service on a material portion of Lessee's main line trackage in any year or to abandon all or a material part of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state which adversely affects the Utilization of the Cars.

(iv) Lessee pursuant to or within the meaning of any federal bankruptcy law or any other insolvency law (as now or hereafter in effect): (a) commences a voluntary case, (b) consents to the entry of an order for relief against it in an involuntary case, (c) consents to the appointment of a receiver, trustee, assignee, liquidator, or similar official, for Lessee or for all or substantially all of its property, or (d) makes a general assignment for the benefit of its creditors.

(v) A court of competent jurisdiction enters an order or decree under any federal bankruptcy law or other insolvency law which: (a) is for relief against Lessee in an involuntary case, (b) appoints a receiver, trustee, assignee, liquidator or similar official, for Lessee or for all or a

substantial portion of its property, or (c) orders the liquidation of Lessee, and such order or decree remains unstayed and in effect for 30 days.

(vi) Lessee permits any substantial part of its property to be subject to a levy (other than taxes due in the ordinary course), seizure, assignment or sale by or for any creditor of Lessee or any governmental agency.

(vii) Lessee fails timely to comply with any obligation under any one or more other agreements, instruments or undertakings (including any other leases) to which it is a party or by which it is bound and under which the outstanding principal sum due for borrowed money, for the deferred purchase price of property, for the payment of rent or otherwise equals or exceeds \$1,000,000 in the aggregate for all such agreements, instruments and undertakings.

(viii) Lessee has rendered against it a final judgment or judgments aggregating in excess of \$500,000 and such judgment or judgments remain outstanding and undischarged for a period of 10 days during which execution of such judgment or judgments has not been effectively stayed.

B. Upon the occurrence of any event of default, Lessor may, at its option,

COM 2008002 25.11.21/01

(i) Terminate this Agreement,

(ii) Proceed by any lawful means to enforce performance by Lessee of this Agreement or to recover damages for a breach thereof (and Lessee agrees to bear Lessor's costs and expenses, including reasonable attorney's fees, in securing such enforcement), and/or,

(iii) By notice in writing to Lessee, terminate Lessee's right of possession and use of the Cars, whereupon Lessee shall return the Cars to Lessor as provided in Section 9 and Lessee's rights and interest in the Cars shall terminate; and thereupon Lessor may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee. Lessor shall nevertheless have the right to recover from Lessee any and all amounts which under the terms of this Agreement may then be due or which may have accrued to the date the Cars are returned or terminated, whichever is later.

None of the remedies contained herein shall be exclusive, and Lessor may exercise any or all of its rights hereunder together with any other rights or remedies it may have by law.

9. Return of Equipment

At the expiration or termination of this Agreement as to any Car(s), Lessee will surrender possession of such Car(s) to Lessor by delivering the same to Lessor within 15 days after such expiration or termination, free and clear of all liens, charges and other encumbrances whatsoever, in the same operating order, repair and condition as when received by Lessee hereunder, ordinary wear and tear excepted, on the track of Lessee or on the track of a subsequent lessee pursuant to Lessor's instructions at the sole expense and risk of Lessee. If such Cars are not on the railroad line of Lessee upon termination, any cost of remarking, assembling, delivering, storing and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent lessee pursuant to the instructions of Lessor shall be borne by Lessee. If such Cars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at Lessee's expense within five working days from notification by Lessor remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by Lessor, at the cost and expense of Lessee. Anything herein to the contrary notwithstanding, Lessor shall pay the costs of remarking, up to \$25 per Car, for any Car which remains on lease for a period of 84 months from the Basic

Rent Commencement Date, if the Lessee does not exercise the purchase option at the end of the term of this Agreement.

After the removal and replacement of markings, Lessee shall at Lessor's request, deliver them in interchange condition to a connecting carrier for shipment. Lessee shall provide up to one hundred eighty (180) days free storage on its railroad tracks for Lessor for any terminated Car and for all Cars after expiration of this Lease. During such period, Lessee shall, at its own risk and expense,

(i) insure and maintain the Cars to Lessor's satisfaction,

(ii) transport the Cars to any reasonable place on any railroad lines operated by Lessee or to any connecting carrier for shipment, all as directed by Lessor, and

(iii) permit Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Cars, to inspect the same.

10. Indemnities

Lessee shall defend, indemnify and hold Lessor harmless from and against any loss, damage, destruction or

liability with respect to the Cars unless caused by the willful misconduct or gross negligence of Lessor.

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power and authorization and is duly qualified and authorized to do business in all states where failure to so qualify could materially affect the Lessee's ability to carry out its present business and operations and to perform its obligations under this Agreement.

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any material breach of, or constitute a material default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee.

(iv) There is no fact which Lessee has not disclosed to Lessor in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement.

(v) This Agreement has been duly authorized, executed and delivered by Lessee and constitutes a valid and binding obligation of Lessee enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy.

(vi) The entrance into and performance of this Agreement will not require any consent or approval of, or reports or filing with, or notice to, any public body or authority under any provision of law applicable to the Company or any of the Subsidiaries.

12. Inspection

A. Lessor or its designee shall at any time during normal business hours have the right to enter the premises of the Lessee for the purpose of inspecting and examining the Cars to ensure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify Lessor of any accident connected with the malfunctioning or operation of the Cars involving damage including cost of labor and material to repair in excess of \$1,000. Lessee shall also notify Lessor in writing within five (5) days after any attachment, tax lien or other judicial process which shall attach to any Car. Upon request of Lessor, Lessee shall furnish to Lessor promptly upon its becoming available, a copy of its annual report or copies of any other income and balance sheet statement required to be submitted to the ICC and/or state agencies.

B. Lessee shall furnish to Lessor

(i) within 90 days after the end of each fiscal year of Lessee, copies of Lessee's audited consolidating and consolidated balance sheets, statements of income, statement of changes in financial condition, and statements of changes in stockholder's equity for such fiscal year, certified by a recognized firm of independent certified public accountants.

(ii) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of Lessee, copies of Lessee's unaudited consolidating and consolidated balance sheets, statements of income, statement of changes in financial condition, and statements of changes in stockholder's equity for the month ending such fiscal quarter and for the portion of such fiscal year elapsed through the end of such fiscal quarter, certified by the chief financial officer of Lessee;

(iii) on the date on which the financial statements referred to in clause (i) above are submitted to Lessor (and at such other times as Lessor may reasonably request), (a) a copy of the car repair estimate in the form attached hereto as Exhibit E stating the condition of the damaged Cars and the maintenance program being followed with respect thereto; (b) a written report stating that all Cars not listed on the car repair estimate form are in good condition suitable for interchange in accordance with interchange rules of the AAR; and (c) a written report stating that in the case of all Cars repainted during the period covered by such report, the markings required by this Agreement shall have been preserved or replaced; and

(iv) promptly after the occurrence thereof, written notification, in reasonable detail, as to any accident, claim or demand relating to any of the Cars or to the ownership, operation or condition thereof (together with copies of all documents pertaining to such accident, claim or demand).

13. Miscellaneous

A. This Agreement and the Exhibits contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of Lessor assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by Lessor in order to confirm the financing party's interest in and to the Cars, this Agreement and Exhibits hereto.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the

Cars only, and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in or to the Cars except as a Lessee only.

D. This Agreement shall be governed by and construed according to the laws of the State of New York.

E. Unless otherwise specifically provided, any notices to be given under this Agreement or any other communications between parties shall be given by certified mail, postage prepaid, in the following manner:

- a) Notices from Lessor to Lessee shall be sent to:

Escanaba & Lake Superior Railroad
Wells, Michigan 49894
Attention: John Larkin

or to such other address as Lessee may from time to time indicate by written notice to Lessor.

- b) Notices from Lessee to Lessor shall be sent to:

American National Bank and Trust
Company, Owner Trustee
33 North LaSalle Street
Chicago, Illinois 60690

Attention: Ronald Bremen

14. Purchase Option

The Lessor hereby grants to the Lessee a purchase option for all but not less than all of the Cars remaining under lease at the expiration of this Agreement in the amount of \$2,511.04 per Car so long as the following conditions are met:

A. Lessee is not in default under this Agreement; and

B. The monthly Payments paid to the Lessor shall have been no less than an average of \$113.18 per Car per month for each consecutive three month period during the term of 84 months from the Basic Rent Commencement Date.

Lessee shall deliver to Lessor written notice of Lessee's desire to exercise such right to purchase not later than 180 days prior to the expiration of the Term (it being understood and agreed that such notice shall not be revocable by Lessee for any reason). In the event of the giving of such notice, Lessee shall purchase the Cars on the day after the date of expiration of the Term, by paying to Lessor, in cash, the purchase price therefor, it being understood and agreed that this Lease (including the obligation to pay Rent hereunder) will continue in effect on the same terms and

conditions as are set forth herein until the date of Lessee's purchase of the Cars. Upon receipt of payment of the purchase price therefor, Lessor shall transfer to Lessee all of Lessor's right, title and interest in and to the Cars, such transfer to be without recourse to or warranty by Lessor (other than a warranty of title). Until Lessee has made all payments and complied with all conditions and obligations herein to be performed by it, Lessor reserves title to, and a security interest in the Cars, the proceeds thereof (the term "proceeds" is included herein solely to protect Lessor against Lessee's unauthorized disposition of the Cars and does not authorize any sale or transfer of the Cars by Lessee) and all accretions, additions, accessories, replacements, and substitutions thereto or therefor in order to secure Lessee's payment of the amounts due hereunder and performance of all obligations herein to be performed by Lessee.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ATTEST:

By: Terrance M. Cullen
Title: ATTORNEY

LESSEE

ESCANABA & LAKE SUPERIOR
RAILROAD

By: [Signature]
Title: PRESIDENT
Date: 10/30/86

ATTEST:

By: *B. F. Lee*
Title: Trust Officer

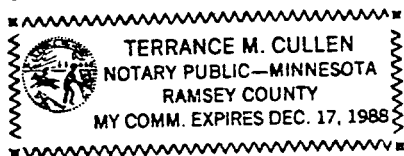
LESSOR

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO, as
Owner Trustee

By: *W. B. Bremer*
Title: Vice President
Date: Oct. 27, 1986

MINNESOTA
STATE OF ~~MICHIGAN~~)
COUNTY OF ~~RAMSEY~~) ss.:
MINNESOTA

On this 28TH day of October, 1986, before me personally appeared John Larkin, to me personally known, who, being by me duly sworn, says that he is a RESIDENT of ESCANABA & LAKE SUPERIOR RAILROAD, ~~that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation,~~ that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the forgoing instrument was the free act and deed of said corporation.



Terrance M. Cullen
Notary Public

[Notarial Seal]

My Commission Expires December 17, 1988

NEW YORK
STATE OF ~~ILLINOIS~~)
COUNTY OF ~~COOK~~) ss.:
NEW YORK

On this 27 day of October, 1986, before me personally appeared Ronald Bremen, to me personally known, who, being by me duly sworn, says that he is a VICE PRESIDENT of AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the forgoing instrument was the free act and deed of said corporation.

Ernestine Leaman
Notary Public

Ernestine Leaman
Notary Public, State of New York
No. 4883760
Qualified in New York County
Commission Expires March 30, 1987

[Notarial Seal]

My Commission Expires MARCH 30, 1987

EXHIBIT A

EQUIPMENT SCHEDULE 1

Lessee hereby leases from Lessor the following railcars pursuant to that certain Railcar Lease Agreement dated as of October 15, 1986 by and between the Escanaba & Lake Superior Railroad and American National Bank of Trust Company, as Owner Trustee.

<u>Description</u>	<u>Manufacturer</u>	<u>No. of Cars</u>	<u>Car Markings</u>
50 foot, 6 inch 70 ton XM boxcars with 10 foot sliding doors built in 1978.	Pullman	291	ELS 101600-101899 (except serial numbers 101608, 101633, 101687, 101750, 101816, 101847, 101848, 101851, and 101865)

LESSEE

ESCANABA & LAKE SUPERIOR RAILROAD

By: John Parkin

Title: PRESIDENT

Date: 10/28/86

LESSOR

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Owner Trustee

By: V. J. Brune

Title: Vice President

Date: Oct. 27, 1986

EXHIBIT B

NIAGARA FALLS, NEW YORK

CONRAIL

<u>Car Number</u>	<u>Car Number</u>	<u>Car Number</u>	<u>Car Number</u>
NSL 101600	NSL 101673	NSL 101745	NSL 101811
NSL 101601	NSL 101674	NSL 101746	NSL 101812
NSL 101602	NSL 101675	NSL 101748	NSL 101813
NSL 101603	NSL 101676	NSL 101749	NSL 101814
NSL 101604	NSL 101677		NSL 101815
NSL 101605	NSL 101678	NSL 101751	NSL 101817
NSL 101606	NSL 101679	NSL 101752	NSL 101818
NSL 101610	NSL 101680	NSL 101753	NSL 101820
NSL 101611	NSL 101681	NSL 101754	NSL 101823
NSL 101612	NSL 101682	NSL 101755	NSL 101824
NSL 101613	NSL 101685	NSL 101756	NSL 101827
NSL 101614	NSL 101686	NSL 101758	NSL 101828
NSL 101615	NSL 101690	NSL 101759	NSL 101829
NSL 101616	NSL 101692	NSL 101760	NSL 101830
NSL 101617	NSL 101693	NSL 101762	NSL 101831
NSL 101618	NSL 101694	NSL 101764	NSL 101832
NSL 101619	NSL 101695	NSL 101767	NSL 101833
NSL 101620	NSL 101698	NSL 101768	NSL 101835
NSL 101627	NSL 101699	NSL 101770	NSL 101836
NSL 101629	NSL 101700	NSL 101771	NSL 101837
NSL 101634	NSL 101701	NSL 101774	NSL 101838
NSL 101635	NSL 101702	NSL 101775	NSL 101839
NSL 101636	NSL 101703	NSL 101776	NSL 101841
NSL 101637	NSL 101704	NSL 101777	NSL 101842
NSL 101638	NSL 101705	NSL 101778	NSL 101849
NSL 101639	NSL 101706	NSL 101780	NSL 101852
NSL 101640	NSL 101707	NSL 101781	NSL 101853
NSL 101641	NSL 101708	NSL 101782	NSL 101855
NSL 101646	NSL 101709	NSL 101783	NSL 101856
NSL 101647	NSL 101712	NSL 101785	NSL 101857
NSL 101648	NSL 101714	NSL 101786	NSL 101861
NSL 101649	NSL 101715	NSL 101787	NSL 101862
NSL 101650	NSL 101716	NSL 101788	NSL 101864
NSL 101651	NSL 101717	NSL 101791	NSL 101866
NSL 101654	NSL 101718	NSL 101792	NSL 101868
NSL 101655	NSL 101719	NSL 101793	NSL 101872
NSL 101656	NSL 101720	NSL 101796	NSL 101876
NSL 101659	NSL 101723	NSL 101798	NSL 101877
NSL 101660	NSL 101728	NSL 101799	NSL 101880
NSL 101661	NSL 101732	NSL 101800	NSL 101881
NSL 101662	NSL 101734	NSL 101801	NSL 101882
NSL 101663	NSL 101735	NSL 101802	NSL 101883
NSL 101664	NSL 101737	NSL 101803	NSL 101884
NSL 101666	NSL 101738	NSL 101804	NSL 101885
NSL 101667	NSL 101740	NSL 101805	NSL 101886
NSL 101669	NSL 101741	NSL 101806	NSL 101887
NSL 101670	NSL 101742	NSL 101807	NSL 101888
NSL 101671	NSL 101743	NSL 101809	NSL 101889
	NSL 101744	NSL 101810	

NIAGARA FALLS, NEW YORK CONT'D

CONRAIL

Car Number

NSL 101891
NSL 101893
NSL 101896
NSL 101897
NSL 101898

SPENCERVILLE, OHIO

SPENCERVILLE & ELGIN RAILROAD

Car Number

NSL 101609
NSL 101622
NSL 101623
NSL 101626
NSL 101630
NSL 101643
NSL 101644
NSL 101653
NSL 101683
NSL 101691
NSL 101697
NSL 101711
NSL 101713
NSL 101727
NSL 101730
NSL 101739
NSL 101761

Car Number

NSL 101766
NSL 101769
NSL 101779
NSL 101794
NSL 101808
NSL 101819
NSL 101821
NSL 101834
NSL 101843
NSL 101850
NSL 101854
NSL 101858
NSL 101869
NSL 101870
NSL 101874
NSL 101878
NSL 101895

SAYRE, PENNSYLVANIA

CONRAIL

Car Number

NSL 101772
NSL 101773

Car Number

NSL 101795
NSL 101840

TAYLORVILLE, ILLINOIS

CHICAGO & ILLINOIS MIDLAND RAILROAD

Car Number

NSL 101724
NSL 101789

Car Number

NSL 101797
NSL 101899

EL RENO, OKLAHOMA

MISSOURI, KANSAS, TEXAS RAILROAD

Car Number

NSL 101621
NSL 101729
NSL 101784

Car Number

~~NETR 101608~~²

Handwritten:
MB
JCL

INTERCHANGE CARS

OKLAHOMA, KANSAS, TEXAS RAILROAD

Car Number

OKKT 607
OKKT 624
OKKT 625
OKKT 628
OKKT 631
OKKT 632
OKKT 642
OKKT 645
OKKT 652
OKKT 657
OKKT 658
OKKT 665
OKKT 668
OKKT 672
OKKT 684
OKKT 688
OKKT 689
OKKT 696
OKKT 710
OKKT 721
OKKT 722
OKKT 725
OKKT 726
OKKT 731

Car Number

OKKT 733
OKKT 736
OKKT 747
OKKT 757
OKKT 763
OKKT 765
OKKT 790
OKKT 822
OKKT 825
OKKT 826
OKKT 844
OKKT 845
OKKT 846
OKKT 859
OKKT 860
OKKT 863
OKKT 867
OKKT 871
OKKT 873
OKKT 875
OKKT 879
OKKT 890
OKKT 892
OKKT 894

EXHIBIT C

Certificate of Acceptance

The undersigned, a duly authorized representative of The Escanaba & Lake Superior Railroad Company, does hereby certify that the following described railroad cars have been delivered to and accepted on behalf of The Escanaba & Lake Superior Railroad Company as of _____, pursuant to that certain Railcar Lease Agreement dated as of October 15, 1986 by and between The Escanaba & Lake Superior Railroad Company and American National Bank and Trust Company, as Owner Trustee for Principal Mutual Life Insurance Company, Pilot Life Insurance Company, Pioneer Mutual Life Insurance Company, Standard Insurance Company, Vulcan Life Insurance Company, The Union Labor Life Insurance Company and American Life & Casualty Insurance Company.

Number of UnitsCar Markings

The Escanaba & Lake Superior
Railroad Company

By _____

Title _____

Date _____

EXHIBIT D

STIPULATED LOSS VALUE

<u>Monthly Rent Payment Date</u> <u>To and including the</u>	<u>Amount</u>
Basic Rent Commencement Date	\$9,272.26
2nd	9,215.42
3rd	9,158.11
4th	9,100.32
5th	9,042.05
6th	8,983.30
7th	8,924.06
8th	8,864.32
9th	8,804.08
10th	8,743.34
11th	8,682.10
12th	8,620.35
13th	8,558.08
14th	8,495.29
15th	8,431.98
16th	8,368.14
17th	8,303.77
18th	8,238.86
19th	8,173.41
20th	8,107.43
21st	8,040.89
22nd	7,973.79
23rd	7,906.13
24th	7,837.91
25th	7,769.12
26th	7,699.76
27th	7,629.82
28th	7,559.30
29th	7,488.19
30th	7,416.49
31st	7,344.19
32nd	7,271.29
33rd	7,197.78
34th	7,123.66
35th	7,048.92
36th	6,973.56
37th	6,897.57
38th	6,820.94
39th	6,743.68
40th	6,665.77
41st	6,587.21
42nd	6,508.00
43rd	6,428.13
44th	6,347.59
45th	6,266.38
46th	6,184.49
47th	6,101.92
48th	6,018.66
49th	5,934.71
50th	

Rent Payment Date

Amount

51st	\$5,850.06
52nd	5,764.71
53rd	5,678.64
54th	5,591.86
55th	5,504.35
56th	5,416.11
57th	5,327.14
58th	5,237.43
59th	5,146.97
60th	5,055.77
61st	4,963.80
62nd	4,871.06
63rd	4,777.55
64th	4,683.26
65th	4,588.18
66th	4,492.31
67th	4,395.64
68th	4,298.16
69th	4,199.87
70th	4,100.76
71st	4,000.83
72nd	3,900.06
73rd	3,798.46
74th	3,696.01
75th	3,592.70
76th	3,488.53
77th	3,383.50
78th	3,277.59
79th	3,170.80
80th	3,063.12
81st	2,954.54
82nd	2,845.06
83rd	2,734.66
84th	2,623.34
Thereafter	2,511.10

EXHIBIT E

Car Repair Estimate

Car Number:

Date:

Type Car:

Location:

End

Repairs Required

Nature of Defects

Estimated Cost of Repairs:

Labor \$ _____

Material \$ _____

Total \$ _____